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SECRET

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CONTENTS

South Vietnam: Situation report. (Page 1)

Laos: The Communists appear to be continuing their offensive. (Page 3)

Communist China: Peking puts on a show of unity on May Day but violence has been renewed. (Page 4)

South Korea: The government majority and the opposition head toward another confrontation in the National Assembly. (Page 5)

Argentina-UK: The British are negotiating to hold an army exercise in Argentina. (Page 6)



Malaysia-USSR: Minister in Moscow (Page 8)

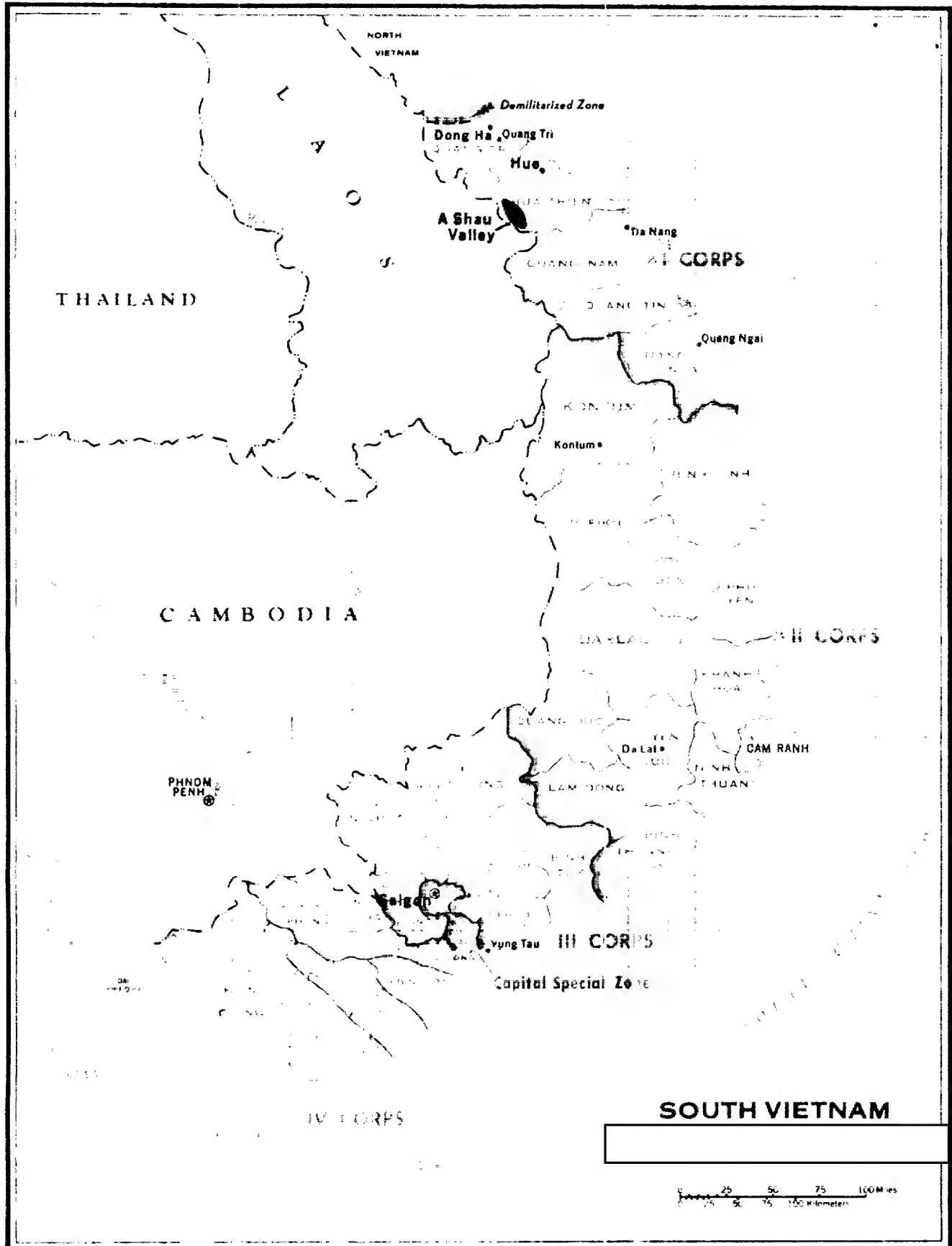
Austria-Czechoslovakia: Improved relations (Page 8)

Latin America: May Day violence (Page 9)

Cuba: Raul Castro speech (Page 9)

SECRET

25X6



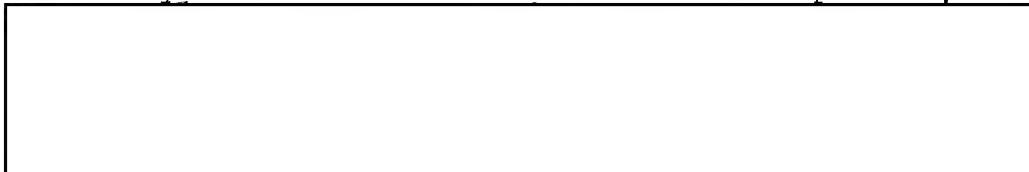
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[South Vietnam: Heavy fighting persists in the northern part of South Vietnam, and there are more signs of upcoming Communist offensive action around Saigon.

A sharp engagement occurred on 1 May just north of Hue, where Communist forces were trying to break out of an allied encirclement. Near Dong Ha on the northern border, elements of two regiments from the North Vietnamese 320th Division have mounted a series of attacks which could be intended to put forward allied positions near the Demilitarized Zone in jeopardy.

Allied operations in the A Shau Valley continue to meet only sporadic enemy resistance and to uncover large caches of supplies. These operations may inhibit future Communist offensive activities in the northern coastal plains, but it seems likely the enemy has already moved sizable amounts of weapons and supplies into forward positions.

[Further signs of Communist preparations for large-scale attacks in the III Corps area around Saigon are being picked up. A Communist agent captured in Saigon on 1 May reportedly carried messages implying that an attack was just around the corner. One message discussed a planning session to begin on 2 May for forces located around the capital.]



3 May 68

1

SECRET

25X1

SECRET

LAOS



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Laos: [There are signs the Communists intend to continue their offensive.]

[In north Laos, the Communists appear to be preparing for a long-expected offensive against the important government guerrilla base at Na Khang. Within the past week, outlying defensive positions have been probed by the enemy, and the base itself has come under some occasional heavy weapons fire. The government has moved reinforcements to the base, and there are now 2,000 troops defending the area.]

[Na Khang is the only major guerrilla base still intact in northeastern Laos and its loss would severely hamper government operations there. It has also played a vital role in search and rescue missions for US pilots whose planes have gone down in Laos and North Vietnam.]

[A government attempt to reoccupy the Muong Son area has met with stiff enemy resistance. The government had hoped to re-establish its presence in the area and replace radar facilities lost at Phou Pha Thi in March. In contrast to past practice, however, the Communists show every indication that they intend to hold on to the newly won territory.]

25X1

3 May 68

3

SECRET

SECRET

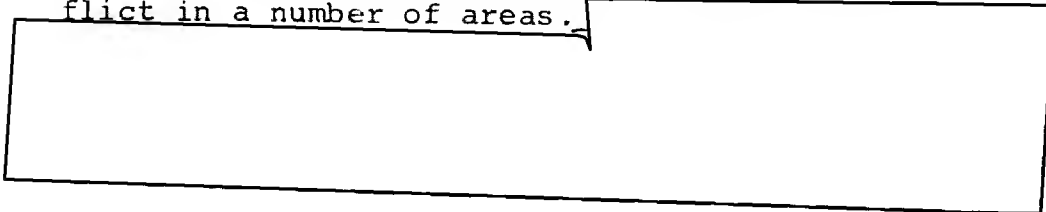
*Communist China: Peking attempted to display unity on May Day but there is evidence of renewed violence in some provinces.]

Scores of leaders appeared at the evening rally for May Day. This was the first major turnout since 7 March and the biggest in a half year. All of the important politburo members who have been out of sight since the ouster of acting Chief of Staff Yang Cheng-wu appeared in their appropriate ranking. So, too, did all Cultural Revolution group leaders, many inactive members of the hierarchy, and large numbers of the military.

The commanders of seven of the 13 military regions and military and political leaders from half the provinces were also present. Many of them represented troubled areas where provincial revolutionary committees are still being hammered together. Presumably, discussions are currently under way in the capital to seek agreed leadership lineups for these provinces.

[In some provinces, perhaps reflecting conflicting views at the center, violence appears to be on the rise. There are reports of growing armed conflict in a number of areas.]

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[*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Defense Intelligence Agency. Department of Defense.]

3 May 68

4

SECRET

SECRET

South Korea: The government majority and the opposition appear headed toward another confrontation in the National Assembly.

The majority Democratic-Republican Party is under administration instructions to pass legislation strengthening the legal basis for the new regional militia forces before the assembly session ends this month. The opposition New Democratic Party reportedly intends to boycott the assembly if the majority presses ahead with the legislation, thereby obliging the majority to pass the measure unilaterally.

The opposition is against the legislation because it fears, with some justification, that the administration will use the new force for partisan political purposes preparatory to the national elections in 1971.

The opposition's stand would normally win considerable support among politically informed Koreans. In this instance, however, the administration probably will suffer little criticism if it proceeds carefully. The opposition's failure to offer any reasonable alternative to the measure at a time when the public is greatly concerned over increasing North Korean terrorism and sabotage leaves it open to charges of evading responsibility.



25X1

SECRET

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Argentina-UK: [Great Britain is negotiating to hold an army training exercise in Argentina next year.]

[The British say that this and other overseas exercises are intended to increase army proficiency under varying environmental conditions and give a boost to recruiting, which has fallen off with the reduction of British overseas posts. The US defense attaché in London comments, however, that the ultimate objective of this type of training is to increase opportunities for weapons sales in Latin America.]

[Present plans call for a battalion of British troops to be airlifted to Argentina, but it is not yet clear whether a joint exercise with the Argentine Army is contemplated. In return, Argentine military personnel would attend various British army schools.]

[Latin America has increasingly been turning to the UK and France for military equipment since the United States has begun to reduce military assistance programs and restrict arms sales in the area. Argentina, Brazil, and Chile have been shopping in Britain for ships and aircraft, and an army exercise could present an opportunity to sell ground forces equipment.]

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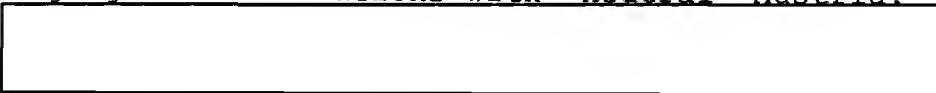
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NOTES

Austria-Czechoslovakia: The Austrian Government is contemplating several gestures toward improving its relations with Czechoslovakia. These include raising diplomatic representation from legation to embassy level and encouraging greater cultural and commercial exchanges. The Austrians see such steps as a part of their effort to "build bridges" toward Eastern Europe and to show support for the Czech reform.

Foreign Minister Waldheim reportedly hopes to elicit a favorable Czech response to Austria's latest proposals to settle Austrian property claims dating from World War II. The Austrians have been encouraged by statements from some Czech leaders urging better relations with "neutral" Austria.



Malaysia-USSR: Abdul Razak, Malaysia's deputy prime minister and defense minister, arrived in Moscow yesterday in response to a Soviet invitation.

Razak's trip marks the first visit to Moscow by a top-level Malaysian official since the two countries agreed to establish diplomatic relations last year. For Malaysia, improvement of the relationship is important because the USSR is the largest customer for Malaysian rubber. On the part of the Soviets, it reflects a desire to strengthen ties with Malaysia and other parts of Southeast Asia where the USSR has not previously been active.



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Latin America: [May Day demonstrations produced violence only in Uruguay and Brazil. Large crowds of rioters roamed through Montevideo, throwing rocks at the US Embassy and breaking store windows. Police were forced to use tear gas to break up crowds. Charging "police brutality," the Communists have reportedly called for a general strike to begin this afternoon. In Sao Paulo, Brazil, extremist students and workers broke up a labor rally and physically attacked the governor. The violence there may deepen the existing split between the generally moderate workers and the extremist student and union leaders.]

Cuba: Fidel Castro for the second year in a row yielded center stage during Cuba's May Day celebration. His brother Raul was the main speaker at a rally in Camaguey. With Fidel looking on, Raul concentrated on domestic issues and appealed to the people to increase agricultural production. Raul reiterated the Castro thesis of armed revolution in Latin America and intimated that Che Guevara's defeat in Bolivia was merely a temporary setback for Latin American revolutionaries.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 2 May 1968 approved the following national intelligence estimate:

NIE 64.2-68 "Consequences of Civil
Strife in Nigeria"

25X1

3 May 68

10

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